

## Inflation Up Again in April

The markets saw another warmer-than-expected inflation report today as consumer prices rose +0.6% month over month, pushing the year over year CPI rate to 3.8%, the highest reading in three years. Both headline and core inflation came in above expectations.

As was the case last month, energy played a significant role in the increase, despite accounting for only about 6.5% of the CPI basket. Energy prices rose 3.8% in April, following an 11% surge in March. Gasoline prices increased 5.8% for the month, coming off March's record breaking 21.2% jump and now up 28.4% over the last year.

Food prices also moved higher. Grocery prices rose 0.7%, the largest monthly gain in nearly four years. The increase was broad based, with meats, dairy, fruits, and vegetables all posting gains. Fertilizer costs tied to elevated energy prices are expected to keep food inflation firm in the months ahead, and ground beef prices remain at record highs.

Even if conditions in the Middle East are resolved quickly, economists expect elevated costs to persist as oil production and global shipping lanes take time to normalize. Airline fares rose 2.8% for the month and are up 20.7% year-over-year, as higher jet fuel costs prompted airlines to raise prices and ancillary fees.

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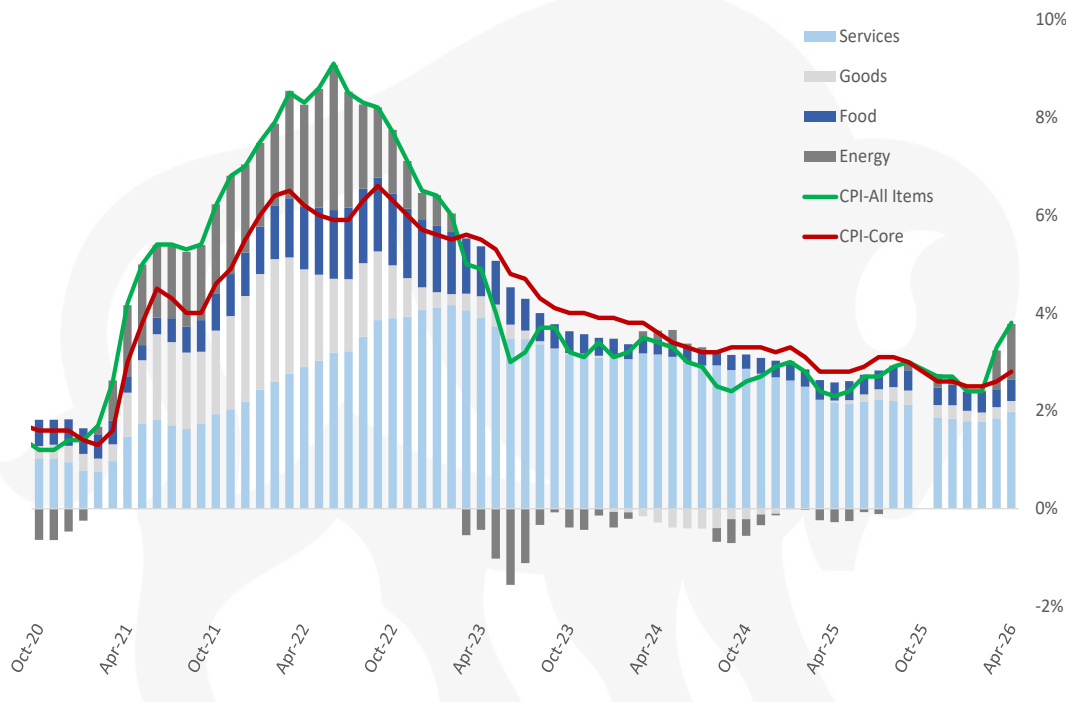
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### Consumer Price Index (Year-over-Year Percent Change)



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Source: Bureau of Labor Statistics

A separate report from the BLS released today, combining inflation and wage data, showed that real average hourly earnings fell 0.3% from a year earlier, marking the first decline in three years and underscoring the growing pressure inflation is placing on household purchasing power.

Moving to the core readings, which exclude food and energy, inflation rose 2.8% year over year with a 0.4% month over month increase. A key contributor was related to housing costs. The shelter component increased 0.6% in April, partly due to a statistical issue. During the federal government shutdown late last year, the BLS was unable to collect rent and owners' equivalent rent (OER) data, resulting in a flat reading at the time. Because housing costs are measured on a six-month basis and represent the largest share of core CPI, that "missing" inflation was effectively caught up in April's report.

One bright spot in the report was core goods prices were flat month over month. New vehicle prices declined during the month, while used car prices were flat. There was no clear trend related to tariffs among imports sensitive items. Household furnishings fell 0.5%, while apparel rose 0.6%, its smallest increase since January. On the other hand, computer prices increased 0.9%, and video products rose 0.3%.

Treasury yields moved modestly higher following the release, with the 2-year Treasury yield rising about three basis points, from 3.96% pre-release to around 3.99% shortly thereafter. Today's report reinforces the view that Federal Reserve officials will remain on hold, with inflation front and center, given the ongoing impact of the Middle East conflict on energy prices. Futures markets are no longer pricing any rate cuts in 2026. In fact, since March, as expected rate cuts were priced out, the market has at times priced in the possibility of rate hikes next year. Additional inflation data will come tomorrow with the release of the Producer Price Index.

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## Market Indications as of 10:31 A.M. Central Time

DOW	Down -227 to 49,478 (HIGH: 50,188)
NASDAQ	Down -437 to 25,837 (HIGH: 26,274)
S&P 500	Down -63 to 7,350 (HIGH: 7,413)
1-Yr T-bill	current yield 3.79%; opening yield 3.76%
2-Yr T-note	current yield 3.99%; opening yield 3.95%
3-Yr T-note	current yield 4.02%; opening yield 3.98%
5-Yr T-note	current yield 4.11%; opening yield 4.07%
10-Yr T-note	current yield 4.45%; opening yield 4.41%
30-Yr T-bond	current yield 5.02%; opening yield 4.98%

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